

Chief, D/S 98249

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ED/EC M-253

July 17, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

2:00 p.m., Wednesday, July 10, 1957
Room 1213 Maiatico

Attendance:

MDAC

Mr. Hale, Chairman
Mr. Wight
Mr. Kramer, Executive Secretary
Mrs. Lese, Committee Secretary

ICA

Mr. Slaght

State

Mr. Wright
Mr. Knoll

CIA

Mr. [REDACTED] 25X1A9a

Treasury

Mr. Pollak

Commerce

Mr. George

USRO/ST

Mr. Cargo

Defense

Colonel Green

Agenda:

Note a. Mr. William I. Cargo, former USDEL, COCOM/CHINCOM.

1. List II Quotas for China.
2. Discussion of Paragraphs 9 and 21 of the Policy Paper and the Work Program.

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Note a. Mr. William I. Cargo, former USDEL, COCOM/CHINCOM.

The Chairman stated that though he knew the EDAC structure had formally commended Mr. Cargo for the outstanding performance of his job, he wanted to take the opportunity of his presence to state personally, and on behalf of the Executive Committee members, the deep appreciation of his fine work in a most trying and difficult assignment. He added that he was more than sorry to see him leave though he was well aware that he had earned the new and interesting position to which he had been assigned.

In response to the Chairman's remarks, Mr. Cargo replied that the three years he had spent in Paris were among the most interesting and certainly the most challenging of his career. He had constantly been most appreciative of the backstopping and support from Washington. The instructions were usually on time, and usually complete. Regarding the recent complications concerning China trade the backstopping was phenomenal. He expressed great pleasure at having worked with members of the EDAC structure, both here and in Paris, and it was his sentiment that, considering the domestic and international difficulties of this operation, the tasks had been accomplished very well.

1. List II Quotas for China.

Decision

(1) The Executive Committee will examine on Thursday the new proposal being developed by Defense and consider its use as a plan to substitute for item discussion at some point in the future.

(2) The State draft instruction to the Del, expressing Washington's views on quotas and containing statement for use in CHINCOM on July 16 noting seriousness of the situation, was cleared in substance (TOPOL 103).

(3) The Executive Committee approved in substance State's draft reply to specific questions of POLTO 64 (TOPOL 102).

(4) The report of WG I (ED/EC D-119/2) was tabled pending the decision in the Department of State as to whether or not they wish to take any action on these items in the context of the List II review and, further, with the understanding that the Executive Committee will expect WG I to continue to process in orderly fashion the items for COCOM presentation if feasible.

Discussion

The State member felt it necessary to consider further the question of List II quotas for China. He mentioned the possibility of having a general lump sum quota for List II and thought perhaps it should be explored in this Committee. Bearing in mind this suggestion, he had nonetheless drafted the instruction to the Del on the theory that a proposal of this nature would be too extreme at this time.

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Subject to the other members views it might be advisable to consider whether a proposal along these lines might be framed if it appeared that other new and unusual proposals might be tabled. As a first step he felt we should probably table a U. S. counterproposal.

The Defense member said that while his proposals of the previous meeting still stand, on Thursday morning he would have available a "package" approach to the problem which might be of use. In those cases where units, rather than dollars, are expressed our suggestion is to change those units to dollars to have a common denominator. Using the medium of 3(d) this will provide an amount of "give" on which they can operate. The reason this is attractive is because those PCs who have presented their quotas are in a dilemma inasmuch as they have publicly stated they have eliminated the differential and they would not want to be embarrassed. On the other hand, he said, a lump sum approach in which they could trade freely might be more acceptable.

The State member noted that the lump sum suggestion had been made on the basis of the fact that the requirements for imports by Communist China would not necessarily be only 1/5 of the import requirements of the USSR. Their requirements for imports might be considerably higher despite a lower GNP. The lump sum approach applied to these items might be less likely to prejudice the U. S. position in view of the fact that for 1958 we may be making some sweeping proposals.

Mr. William Cargo (former USDEL COCOM/CHINCOM) was of the view that we would want to be careful at what point a proposal of this nature was introduced. He thought a scheme like this did have the merit of simplicity. If workable it would immediately resolve the whole of the quota problem. A basic decision would have to be made from a security viewpoint if such a lump sum quota is to be used. If the entire quota was used for a single item would this still be supportable from a security viewpoint?

The Chairman remarked that while Defense would continue its study and would have available a new proposal for Executive Committee consideration on Thursday, it would not alter the agreement reached in the meeting of the previous day. After the members have had an opportunity to consider the Defense suggestion it is possible they may feel it could be used as a workable plan to substitute for item discussion at some point.

The State member submitted for comments and/or approval a draft instruction to the Del to submit in CHINCOM U.S. counterproposals on quotas for Communist China for the remainder of 1957. He wanted to ascertain whether the points agreed on at the previous meeting had been incorporated in the message in a manner satisfactory to the other members. He noted that the specific positions had not been changed, but that the top of the range had been taken on all items save machine tools for which the low end of the global quota was used. Upon the request of the chair the members considered the State draft instruction and suggested some alternative language including the combination of the entire range on machine tools. (Sent as TOPOL 103)

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Mr. Cargo said in his presentation of the U. S. proposals he had taken great pains not to give the impression that the U. S. would accept the summer recess date as a date when negotiations would have to be completed. He felt this point should be included in the draft instruction. He believed also that the draft instruction gave the impression that we would be willing to accept 3(d) at a later date and he was of the view that we should not convey this idea.

The members considered the State draft reply to the specific questions of POLTO 64 re guidance in handling the List II quotas for China and approved it in substance with only a minor change in wording. (Sent as TOPOL 102.)

Copies of ED/EC D-119/2, 7/10/57, were distributed. In this document WG I reported on its assignment of examining and finding items which might be upgraded during the July CHINCOM quota review. The Chairman called attention to the fact that though WG I has selected the four items listed under para. 2 for upgrading they do not propose that these be included in the current List II discussions.

The Chairman stated that if there were no contrary views, ED/EC D-119/2 would be tabled as a report from the Working Group and if State acquiesces the Working Group shall be asked to make preparation for introducing these items in COCOM.

2. Discussion of Paragraphs 9 and 21 of the Policy Paper and the Work Program.

The Chairman advised that the State member had indicated he was not at this time prepared to participate in discussions of paras. 9 and 21. The chair suggested that a meeting be scheduled for Thursday, July 11, at 2:00 p.m., at which time it was hoped that the State member could actively participate in consideration of para. 9 and, as soon as possible thereafter, of para. 21. Consideration could also be given to the Defense proposal if available at that time.

Distributions:

ED List Parts I & II
WG I (Limited)

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